Economic Impact Analysis
Virginia Department of Planning and Budget

22 VAC 20-20 – Department for the Deaf and Hard of Hearing
Regulations Governing Eligibility Standards and Application Procedures for the Distribution of Technological Assistive Devices
October 12, 2001

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The proposed amendments will (i) replace the current income levels for program eligibility with 250% of the federal poverty guidelines, (ii) eliminate the partial pay category of applicants, (iii) adopt a uniform income ceiling for the whole Commonwealth, (iv) require proof of residency from the applicants, (v) furnish the agency with the right to verify reported income, and (vi) allow the agency to accept payment for spot transactions.

Estimated Economic Impact

The Department for the Deaf and Hard of Hearing (the agency) manages the technology assistance program for people with hearing disabilities. The program provides equipment to certified deaf, hard of hearing, deaf-blind, hearing-visually or speech disabled living in the Commonwealth. The agency distributes 15 types of equipment worth between $20 and $489. The types of equipment include text telephones, voice, or hearing carry over telephones, large visual displays, amplification devices, ring signal devices, doorbell signalers, and visual or vibrating alarm clocks. This regulation contains provisions determining the financial participation of applicants. Currently, the equipment is distributed free of charge if the applicant's income level is less than or equal to the applicable income ceiling in the economic needs guidelines included in the regulation. If the applicant's income level is between 101% and 150% of the income ceiling, a partial payment of 20% of the cost of the equipment or $75, whichever is less, is charged to the applicant. Applicants with higher income levels can purchase the equipment at the contract price paid to the vendors. The agency proposes a number of amendments to the current regulations based on the recommendations from an ad-hoc advisory committee and the findings from a periodic review of the regulations.

The proposed amendments will eliminate the partial pay category of applicants receiving equipment from the program. Under the current regulations, an applicant whose income level is between 101% and 150% of the guideline amounts in the regulation is required to partially participate in the cost of the equipment.[1] Also, the current guideline income ceilings are different for applicants from northern Virginia and from the rest of the state. For applicants who fall into the partial pay category, the required participation is lesser of 20% of the cost of the equipment or $75. The proposed changes will eliminate the current partial pay category and the distinction between the applicants from northern Virginia and from the rest of the state. The proposed rule will establish a uniform income ceiling for the whole Commonwealth. Under the proposed rule, an applicant will either get the equipment free or pay the full cost. Additionally, current income levels in the regulation to qualify for equipment at no cost will be replaced by the federal poverty guidelines. An applicant whose income is less than or equal to 250% of the federal poverty guidelines will be eligible for free equipment.

The proposed changes will have a direct effect on the eligibility and the amount of financial participation provided to the applicants in the partial pay category. To facilitate the discussion on the direct impact on the applicants, a table is provided on the next page. The table shows the income ceilings to be eligible for free equipment and the partial pay under current regulations and to be eligible for free equipment under the proposed regulations for applicants from northern Virginia and from the rest of the state. For example, it is indicated in Panel A that

[1]Current income levels to be eligible for free equipment can be found in the table on page 3.

Table: Income Ceilings to Qualify for Financial Assistance						
	Panel A: Rest of the State			Panel B: Northern Virginia		
	Current		Proposed	Current		Proposed
Family Size	*Free*	*Partial Pay*	*Free*	*Free*	*Partial Pay*	*Free*
1	$15,760	$23,640	$21,475	$17,172	$25,758	$21,475
2	$20,609	$30,914	$29,025	$22,464	$33,696	$29,025
3	$25,459	$38,189	$36,575	$27,756	$41,634	$36,575
4	$30,308	$45,462	$44,125	$33,036	$49,554	$44,125
5	$35,157	$52,736	$51,675	$38,316	$57,474	$51,675
6	$40,007	$60,011	$59,225	$43,608	$65,412	$59,225

an applicant with a family size of one whose income level is less than or equal to $15,760 is currently qualified for free equipment. If the income level is $23,640, the applicant is required to pay either 20% of the cost of equipment or a fixed $75, whichever is less. With the proposed changes, the partial pay category will be eliminated, so the applicant will either receive the equipment for free if his income is less than or equal to $21,475 or pay the full cost otherwise.

It should be noted that the proposed income ceilings will have no effect on applicants currently eligible to receive free equipment because their eligibility status for free equipment will not change. Similarly, applicants who are not currently eligible for any financial assistance will also not be affected because the proposed income ceilings are lower than the current ceilings to be eligible for at least partial assistance.

The main effect will be on those who currently qualify for partial payment. Some of the applicants under the partial pay category will be affected positively and some negatively. To illustrate the positive impact, consider an applicant of one member family with an income level of $21,000 who is currently eligible for partial assistance and may be participating in equipment costs up to $75. This person will no longer be required to pay a portion of the equipment because his income is less than the proposed $21,475 to be eligible for free equipment under the proposed changes. For applicants in the current partial pay category with income levels less than the proposed ceilings, the proposed amendments will represent savings up to $75. The agency indicates that about 200 applicants who make 86% of the total participants in the partial pay category will benefit approximately $3,210 per year from the proposed changes in this fashion.

On the contrary, some of the applicants in the partial pay category will be affected negatively due to the proposed changes. For instance, consider an applicant of a family size of one with $23,000 income applying for a $100-equipment. This applicant would currently be required to pay 20% of the cost, which amounts to $20. With the proposed changes, he will be charged the full cost of the equipment and lose exactly $80. For applicants in the current partial pay category with income levels higher than the proposed ceilings, the proposed amendments will represent a loss equal to the difference between the full cost of the equipment and the partial payment currently required. The agency estimates that approximately 34 applicants who make 14% of the total participants in the partial pay category will lose about $1,150 per year due to the proposed changes.

The net effect of the proposed changes will be an increase in the need for the funds by $2,060, which is the difference between the savings of the 86% of the applicants in the partial pay category and the losses of the remaining 14% of the applicants in the same group. However, it is not clear if the program's expenditures would increase or fewer applicants would be provided financial assistance. The increase in expenditures would be possible only if the agency has available funds. The agency has indicated that this scenario is more likely because the flexibility exists to re-deploy discretionary funds within the program. The possibility that some of the applicants will not receive financial assistance cannot be ruled out however, because the funding for this program is capped and some of the applicants did not receive financial assistance in the past due to limited funding.

In addition, the proposed changes may result in disproportional impact between the applicants from northern Virginia and from the rest of the state. As mentioned, current income cohorts for eligibility differ between northern Virginia and elsewhere in the Commonwealth. The current income ceilings for northern Virginia are approximately 9% percent higher than the income levels for the rest of state for all family sizes. Because of this difference, some of the applicants from northern Virginia are currently eligible for benefits even if their incomes would not qualify them for financial assistance elsewhere in the state. With the proposed uniform income cohorts for the whole Commonwealth, the percent reduction in income ceilings for northern Virginia applicants which make up approximately 19% of the total applicants in the partial pay category are higher than the percent reduction in the income ceilings for the applicants from the rest of the state. This is likely to cause a proportionally higher amount of applicants in the partial pay category to lose their eligibility for financial assistance in the northern Virginia. The current data at the agency show proportionally higher negative impact on northern Virginia applicants than on those from the rest of the state. Potentially, about six applicants per year from northern Virginia will feel this effect.[2]

Replacement of the economic needs guidelines included in the regulation with 250% of the federal poverty guidelines adjusted annually will allow an automatic update of the most recent income levels. Current income ceilings in the regulation have not been updated on a regular basis. The proposed amendments will incorporate the federal poverty guidelines by reference and delete the current dollar amounts in the regulation. Automatic update of the income ceilings is likely to reflect the most recent economic conditions and result in a better allocation of the program's resources among the residents of Virginia. Another related consequence of the automatic update is likely to be an increase in the number of eligible applicants over time. As the federal poverty guidelines are adjusted upward annually, more people with hearing disabilities may gain eligibility for free equipment from the program. A larger pool of applicants combined with a fixed level of funding is likely to reduce the likelihood of present applicants receiving financial assistance. To be able to offer the same level of financial assistance to present pool of applicants continuously, an increase in the program funding that is consistent with the increase in the federal poverty guidelines may be needed.

The proposed changes are also expected to simplify the overall program for both the applicants and the agency and provide some savings in staff time. Currently, about 1.5 full time positions have been devoted to the program's administrative duties such as handling of the checks for the partial payments received by the agency and of the coupons issued to the applicants to purchase the equipment from vendors. Personnel also provide customer service to the applicants. According to the agency, the partial pay category caused confusion among the applicants and some staff time has been devoted to clarify these confusions. The proposed elimination of the partial pay category is expected to eliminate the need to handle checks and reduce the time devoted to customer service. The proposed uniform income ceiling for both northern Virginia and the rest of the state is likely to further simplify the program. The agency indicates that the savings in staff time is likely to be about $4,000 per year. The released staff time will be utilized in other administrative responsibilities and other program activities such as public education and awareness.

[2] Source: The agency

Another proposed significant amendment to the regulations is establishing a requirement for proof of residency. Equipment through the program is available to residents of the Commonwealth. However, there is no current requirement to verify the residency of an applicant in Virginia. The lack of residency verification makes the program susceptible to abuse by applicants who do not reside in the Commonwealth. Besides the financial motive for non-residents to take advantage of the program, a few other factors are believed to elevate the potential abuse. The agency indicated that the states surrounding the Commonwealth either do not have a comparable program or their programs are much more restrictive than Virginia's program. The absence of residency verification in the current program may currently be providing incentives to the residents of neighboring states who are in need of hearing devices to take advantage what the program has to offer. The agency also believes that the availability of applications on internet further increases the potential for fraud.

To make sure that the resources of the program are correctly allocated to the residents of Virginia instead of non-residents, one of several documentations will be required to establish the validity of the residency claim. A current lease or deed to domicile in Virginia or a utility bill will be required as proof of residency in the Commonwealth. In addition to these documents, other forms of documentation may be accepted as proof by the agency. Being able to accept other forms of proof is expected to provide flexibility to the applicant as well as to the agency where residency cannot be established by conventional documents. For example, an applicant may be a roommate to a lessor and may truly be residing in the Commonwealth without a lease agreement. In this case, a phone bill may serve as an additional mean to prove residency in Virginia. In cases where the residency cannot be established with conventional documents, the additional flexibility afforded by the proposed regulations represents an economic value to the applicants. On the other hand, the proposed requirement is likely to introduce some costs. True Virginia residents will likely absorb a small additional burden to verify their residency status. The proposed rule is also expected to increase the administrative work associated with applications. The additional work is expected to absorb some staff time to process new information and to adjust the database. Also, small additional costs associated with printing new applications are expected.

Another proposed amendment provides the agency the right to verify income. According to the agency, verification of reported income has been problematic. An analysis of a random sample of applicants indicated that the some of the applicants may have been underreporting the income levels to qualify for free equipment. The agency has been noticing that some of the reported income levels were just a few dollars below the income level that would qualify them for free equipment. This is believed to be an indication that some applicants may be manipulating the income information. The agency has not yet determined a specific way to verify income, but stated that effectiveness and economic efficiency will be considered when developing a departmental policy. Employing an effective procedure is particularly problematic in this case because the goal is to verify the total income. Many conventional documentation such as W2 forms, pay stubs or employee letters would not be suitable for this purpose because they cannot be taken as proof of an applicant's total income. Another dimension of income verification is the economic efficiency. Income verification could be costly if the agency attempts to verify reported income on all applications. However, the associated costs could be greatly reduced if the applications are investigated on a random basis. The overall costs and benefits of this amendment will depend on the policy adopted. If an effective and cost efficient policy is implemented, it will be almost ensured that the proposed language will provide a better allocation of the Commonwealth's resources.

Lastly, the proposed changes will allow the agency to receive payments from applications for spot purchasing. The agency indicates that it is a lot easier and cheaper to purchase simple equipment at the local stores than obtaining them from a contractor. This less expensive equipment then will be provided to the applicants. This service is expected to save some resources for the applicants and the agency.

Businesses and Entities Affected

The proposed regulations are expected to affect approximately 800-1,000 people with hearing disabilities per year who are provided equipment through the program.

Localities Particularly Affected

The proposed amendments will apply throughout the Commonwealth. Currently, income ceilings for the applicants from northern Virginia are higher than they are for the applicants from the rest of the state. The proposed uniform income ceilings for the whole Commonwealth will eliminate this discrepancy and introduce a higher percent reduction in the income levels for eligibility for the applicants from northern Virginia. This may potentially cause a proportionally higher negative impact on several applicants located in northern Virginia.

Projected Impact on Employment

The proposed regulations are unlikely to have a significant impact on employment.

Effects on the Use and Value of Private Property

No significant impact on the use and value of private property is expected.